

Message Text

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PAGE 01 BRASIL 06551 282043Z

73

ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 AGR-20 CIAE-00 COME-00 EB-11

INR-11 LAB-06 NSAE-00 RSC-01 SP-03 STR-08 TRSE-00

SWF-02 CIEP-03 FRB-03 OMB-01 TAR-02 L-03 SS-20 NSC-07

DRC-01 /119 W

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P R 282010Z AUG 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 5317

INFO AMCONSUL RIO DE JANEIRO PRIORITY

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 6551

PASS TREASURY FOR PETER SUCHMAN

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: COUNTERVAILING DUTY: BRAZILIAN FOOTWEAR

REF: BRASILIA 6389

1. FRANCISCO DORNELLES FROM THE MINISTRY OF FINANCE CALLED FINANCIAL ATTACHE TO MAKE THE FOLLOWING POINTS WITH REGARD TO THE COUNTERVAILING DUTY INVESTIGATION ON BRAZILIAN FOOTWEAR:

A. HE SAID HE HAD LEARNED YESTERDAY (AUGUST 27) IN A TELEPHONE CALL FROM HEMMENDINGER, THE LAWYER FOR THE SHOE EXPORTERS, THAT A TREASURY DECISION WAS IMMINENT AND THAT IT WOULD PROBABLY INVOLVE A DOUBLE RATE (HE GAVE THE FIGURES OF 5 AND 7 PERCENT). HE WANTED TO STRESS AGAIN, AS ARY PINTO DID LAST WEEK (REFTEL), THAT SUCH A DECISION WOULD CREATE DIFFICULTIES FOR THE GOV. HE OUTLINED HIS REASONING AS FOLLOWS:

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PAGE 02 BRASIL 06551 282043Z

B. HE SAID THAT A DOUBLE RATE WOULD CAUSE ADMINISTRATIVE CHAOS IN ADDITION TO HITTING THE SMALLER FIRMS THE HARDEST). IN ORDER TO IMPLEMENT SUCH A RULING, THE GOB WOULD NEED TO PROVIDE THE USG WITH CURRENT DATA ON THE UTILIZATION RATE OF THE EXPORT INCENTIVES FOR ALL THE SHOE EXPORTERS. HE COULD NOT PROMISE THAT THE GOB WAS PREPARED TO DO THIS.

C. THE DOUBLE RATE WOULD INTRODUCE A FACTOR OF UNCERTAINTY IN THE NEGOTIATIONS FOR NEW CONTRACTS WHICH WOULD GIVE BRAZIL'S COMPETITORS AN ADVANTAGE IN DOING BUSINESS IN THE U.S. HE THOUGHT THE GOV WOULD PREFER A DUTY OF 6 PERCENT (AVERAGE OF 5 AND 7 PERCENT) RATHER THAN TWO RATES, ALTHOUGH HE REITERATED THAT ANY DUTY ABOVE THE 5.25 PERCENT AVERAGE INDICATED BY THE TECHNICAL STUDY WOULD BRING ABOUT A ADVERSE POLITICAL REACTION.

D. HE SAID IF THE USG IS GOING DOWN THE ROUTE OF MULTIPLE RATES THEN WHY ONLY TWO RATES, AT THE 5 AND 7 PERCENT LEVEL. WHY NOT HAVE MORE RATES TO INCLUDE THOSE AT THE LOWER END OF THE RANGE, I.E., 3 TO 4 PERCENT?

E. FINALLY, HE OPINED THAT FINANCE MINISTER SIMONSEN'S POSITION OF COMPLETE COOPERATION WITH THE USG DURING THE INVESTIGATION WOULD BE UNDERMINED IN THE FACE OF THOSE (LIKE ITAMARITY) WHO WANTED TO TAKE A HARD LINE.
CRIMMINS

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